

<p style="text-align: right;">Page 78</p> <p>1 talking about.</p> <p>2 Q. Yes. And so sometimes it's a longer process,</p> <p>3 other times it's a more quick process, based on how you</p> <p>4 can support the charge?</p> <p>5 A. No, they have a deadline.</p> <p>6 Q. Okay.</p> <p>7 A. You have to provide it within a deadline. If</p> <p>8 you don't, you're out of it.</p> <p>9 Q. All right. But if you do support it, the</p> <p>10 customer can still contest, correct?</p> <p>11 A. They can contest. And they don't charge back</p> <p>12 us until it's final.</p> <p>13 Q. That's right. So sometimes they are resolved</p> <p>14 more quickly, other times it could take a little while?</p> <p>15 A. From customer's side, I believe they have</p> <p>16 deadline, too.</p> <p>17 Q. Okay.</p> <p>18 A. So the time framing, we have deadline. I</p> <p>19 don't know what kind of time framing they have as a</p> <p>20 customer.</p> <p>21 Q. Okay. So is it true that on some big charges,</p> <p>22 the waitresses will not get paid right away until the</p> <p>23 big charge goes through?</p> <p>24 A. No, that's -- that's not true.</p> <p>25 Q. How do you know that?</p>	<p style="text-align: right;">Page 80</p> <p>1 A. Healthy tab, nondisputed --</p> <p>2 Q. Yes.</p> <p>3 A. -- that was held back?</p> <p>4 Q. Yes.</p> <p>5 A. Not to my recollection.</p> <p>6 Q. Okay. Have you ever asked any of the managers</p> <p>7 in your clubs whether they do that?</p> <p>8 A. Why they do that?</p> <p>9 Q. No, no. Have you ever asked any of the</p> <p>10 managers in your clubs whether or not they hold back</p> <p>11 healthy, undisputed money from the waitresses or</p> <p>12 bartenders?</p> <p>13 A. They're not supposed to, unless it's disputed.</p> <p>14 Q. Okay. And is there any written policy or</p> <p>15 procedure that talks about that, to your knowledge?</p> <p>16 A. No.</p> <p>17 Q. What does a waitress in -- in one of your</p> <p>18 clubs, what do they do on a shift, average duties?</p> <p>19 A. To serve the customers.</p> <p>20 Q. Okay. They serve them drinks, I guess?</p> <p>21 A. Yes.</p> <p>22 Q. Alcohol or nonalcohol?</p> <p>23 A. Yes.</p> <p>24 Q. They could serve them food?</p> <p>25 A. Correct.</p>
<p style="text-align: right;">Page 79</p> <p>1 A. Because I know it's not true.</p> <p>2 Q. Okay. So, for example, if a waitress has</p> <p>3 one -- out of her 20 accounts that night, she has one</p> <p>4 customer that's \$5,000 on American Express, do your</p> <p>5 managers ever make the waitress wait to make sure that</p> <p>6 that charge goes through and is not a cost before the</p> <p>7 waitress gets paid?</p> <p>8 A. Only if they're not sure about the charge.</p> <p>9 Q. Okay.</p> <p>10 A. Like there is a conversation between the</p> <p>11 customer and managers. They wait till the next morning</p> <p>12 to clear it. But majority of -- or all the time, the</p> <p>13 credit card get clear immediately.</p> <p>14 Q. Right. But --</p> <p>15 A. We call that "disputed tab," not chargeback.</p> <p>16 It's separate.</p> <p>17 Q. Understood. But on big charges, even where</p> <p>18 there's no question, have your managers ever made the</p> <p>19 waitresses or bartenders wait a few weeks or a month to</p> <p>20 make sure that there will be no contest before they pay</p> <p>21 them their money?</p> <p>22 A. If it wasn't -- not disputed and the tab was a</p> <p>23 healthy tab, I don't think so, to my recollection.</p> <p>24 Q. Okay. Have you ever heard of that happening</p> <p>25 if it's a -- a healthy tab, nondisputed?</p>	<p style="text-align: right;">Page 81</p> <p>1 Q. They can -- if necessary, I guess, if -- if</p> <p>2 they wanted a -- a dance, they could ask the waitress</p> <p>3 to send a girl over?</p> <p>4 A. That's not part of duty, but if they ask, no</p> <p>5 problem.</p> <p>6 Q. Okay. Other than the -- the waitress serving</p> <p>7 drink and food, do they have any other duty at your</p> <p>8 clubs?</p> <p>9 A. Serve customers, basically, as a customer.</p> <p>10 Q. Okay. Does a waitress in one area of</p> <p>11 Treasures have different duties than a waitress in</p> <p>12 another area of Treasures?</p> <p>13 A. No.</p> <p>14 Q. You have something I've heard about called the</p> <p>15 "VIP area"; is that right?</p> <p>16 A. Yes.</p> <p>17 Q. Do the waitresses still do what waitresses do</p> <p>18 in non-VIP area?</p> <p>19 A. They are allowed to serve any customer in any</p> <p>20 part of the club, if that's the question.</p> <p>21 Q. Okay. And is that true whatever club it is</p> <p>22 that you own?</p> <p>23 A. The rest of the clubs, pretty much the same.</p> <p>24 The waitress is allowed to serve the customer. It's</p> <p>25 not like assigned seats or table.</p>

21 (Pages 78 to 81)



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1 Q. Okay. And waitresses at Treasures do the same  
2 thing that waitresses do in your other clubs?  
3 A. The waitress does the work under the direction  
4 of that club managers.  
5 Q. Correct.  
6 A. So the duties is not one duty for all. It's  
7 not -- they don't have to follow anything. Like  
8 waitress at Gold Cup doesn't have to follow the same  
9 procedure at Treasure, as far as the schedule and  
10 everything, because they directed by their own manager.  
11 Q. I understand that, but let me be clear.  
12 A. Yes.  
13 Q. At all of your clubs --  
14 A. Yes.  
15 Q. -- the waitresses are expected to serve the  
16 customer, correct?  
17 A. Yes.  
18 Q. And at each of your clubs, the waitresses  
19 serve drinks and food if the customer requires?  
20 A. Yes.  
21 Q. And at each of your clubs, if a customer is  
22 paying by a credit card, the waitress will help  
23 complete that transaction by bringing it to the bar?  
24 A. Yes.  
25 Q. But I hear what you're saying, that is some

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1 clubs have different schedules than other clubs or  
2 different check-in procedures or other things, and  
3 that's by the management of each club?  
4 A. Yes.  
5 Q. Okay. Have you ever had waitresses work at  
6 more than one club?  
7 A. They -- if they work at different club, they  
8 have to either quit the other club and they've got to  
9 start over, or just like a brand-new place for them.  
10 It's nothing different than with someone else  
11 businesses.  
12 Q. All right. How about dancers, can they work  
13 at more than one club at a time?  
14 A. That's the same thing. They just -- if they  
15 want to go to any of my club, it's just like going to  
16 someone else's club. They have to go through the  
17 procedure.  
18 Q. Okay. So let's say there's a dancer whose  
19 name is Cindy -- I don't know if there is. I'm sure  
20 there is somewhere. Can Cindy work, let's say, on a  
21 Tuesday night at Treasures and a Wednesday night at  
22 Splendor?  
23 A. Since the -- the dancer do not work under  
24 the -- as -- you know, they work -- they are  
25 independent contractor.

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1 Q. Okay.  
2 A. These are commission people.  
3 Q. Okay.  
4 A. They can work anywhere in the town they want.  
5 Q. What I mean, as -- as a company, do you let a  
6 dancer work at more than one club at a time?  
7 A. They -- they can -- basically, no.  
8 Q. Okay. I mean, that -- that -- as a business  
9 owner, you're allowed to have whatever policy you want,  
10 correct?  
11 A. What do you mean with that?  
12 Q. What I mean is if you said, "If you dance for  
13 Treasures, I don't want you picking nights at all these  
14 different clubs." I mean, you have the right as a  
15 business owner to keep an independent contractor  
16 separated if you want, don't you?  
17 A. We can -- yeah, we can tell them not to be  
18 able to work, yeah.  
19 Q. Okay. Now, if a customer charges back --  
20 meaning they contest a charge, let's say \$500, and  
21 let's say that the credit card company upholds it, and  
22 you lose that \$500, right?  
23 A. Yes.  
24 Q. And you've already paid out the money to the  
25 waitress, and the bartender, and the dancer, okay, your

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1 managers ask the bartenders, waitress, and dancer, to  
2 give that money back since the club lost it; is that  
3 true?  
4 A. That's if the charge --  
5 Q. Yeah.  
6 A. -- you're saying has been disputed?  
7 What are you saying we do?  
8 Q. Yeah. Let me give you an example.  
9 A. Right.  
10 Q. It's a Saturday night and a gentleman charges  
11 \$500 on a credit card, okay. Part of that is a tip,  
12 part of that is for dances, part of that is for  
13 alcohol. The exact percentages don't matter for my  
14 example. You have -- at the end of the night, the card  
15 goes through. There was no dispute. The waitress gets  
16 the tips, the bartender gets the tips, the dancer has  
17 been paid her money for dances.  
18 And then three weeks later, you get a  
19 notification that this guy is contesting that charge.  
20 And the credit card company pulls the money from you  
21 and upholds it, says, "We're not going to pay you."  
22 That's a loss to your club, right --  
23 A. Right.  
24 Q. -- is that correct?  
25 A. That's correct.

22 (Pages 82 to 85)



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1 Q. In that case, the managers will go to the  
2 bartender, the waitress, and the dancer, and say,  
3 "Okay, that was" -- "it's like we didn't have it. We  
4 lost it. We need that money back," correct?  
5 A. We -- only if it's like a fraudulent cases, we  
6 do that.  
7 Q. Okay.  
8 A. Because we don't allow fraud in our  
9 establishment.  
10 Q. Okay. So in my example, if there was no  
11 fraud, it was just a customer who was scared his wife  
12 would see the charge or whatever it was. You know,  
13 whatever their reason they make up, your managers do go  
14 to the waitress, bartender, and dancer to ask -- say,  
15 you know, "Give us the cash back"?  
16 A. To my recollection only on fraud. Like they  
17 added a zero on it, we find out about it, it's a fraud  
18 case, we get it back. That's -- other than that, no,  
19 to my recollection.  
20 Q. When you say "fraud," you mean it's one of  
21 your employees?  
22 A. One of the -- like, waitresses altered the  
23 numbers. And we had a case where some of the  
24 waitresses did that.  
25 Q. Okay.

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1 A. Yes.  
2 Q. You would probably fire somebody who was  
3 fraudulent?  
4 A. Absolutely.  
5 Q. Okay. Now, let us set aside the fraud for a  
6 moment.  
7 A. Right.  
8 Q. In a standard case, are you aware of where the  
9 waitress, for example, would be asked to bring in the  
10 cash that she was paid?  
11 Let's say her tip portion is \$50 where the  
12 manager says, "Bring me back the 50," and they would  
13 bring it in an envelope in cash; you've seen that  
14 happen, haven't you?  
15 A. Right. But like I -- what I said, I haven't  
16 seen it to best of my knowledge. But to my  
17 recollection I haven't seen that. But, again, it go  
18 back -- it is fraud.  
19 Q. Right. But if there is no --  
20 A. If you come here -- let me make it clear.  
21 Q. Okay.  
22 A. Because you ask same question over and over.  
23 If you come and dispute your tab and we  
24 send all your paperwork, we consider that chargeback.  
25 Q. Okay.

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1 A. And that's -- that's what we do calculation  
2 for 2 percent, whether we charge back, right there.  
3 Q. Right.  
4 A. Where it would be completely lost, okay?  
5 That's what we call chargeback. But if  
6 it's fraudulent --  
7 Q. Right.  
8 A. -- being altered by the waitress, she subject  
9 to return that money and termination.  
10 Q. Right. Have you ever seen a waitress bring  
11 money, cash, in in an envelope -- in a white envelope?  
12 A. I, myself, I have not seen any waitress hand  
13 cash to anyone. I have not eyewitnessed it.  
14 Q. Have you ever heard of that happening?  
15 A. I heard that if -- again, I assumed that was a  
16 fraudulent.  
17 Q. Okay. Have you ever asked -- and I don't know  
18 if you have, but in the last three to four years, have  
19 you ever asked any of your managers, "Do you ask the  
20 bartender, waitress, or dancer to return the money to  
21 us that we paid to them if there is a chargeback?"  
22 A. Yes.  
23 Q. And what were you told?  
24 A. I -- I told them that that's not a chargeback.  
25 I want to make that clear. Sometimes managers call me

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1 and tell me that we have a customer call this morning.  
2 He had a tab last night. He disputed it. He came and  
3 looked at his voucher. The number on it is not  
4 correct. He didn't keep 500 -- for example.  
5 Q. Okay.  
6 A. I just pick a number. It was \$50. The  
7 waitress add zero to it. That's a fraud, again, and,  
8 yes, I'm aware of that.  
9 Q. Okay.  
10 A. I need to make it clear, Mr. Mart [sic] --  
11 Q. Yeah.  
12 A. I guess I answer these questions so many  
13 times.  
14 Q. Yes.  
15 A. The chargebacks --  
16 Q. Yeah.  
17 A. -- they come in order to -- we process it. We  
18 have a deadline. And the credit card company say  
19 "Okay. This is chargeback" -- marked as a chargeback.  
20 We say, "Okay. You go after the customer." That's  
21 considered a chargeback, and the 2 percent calculation  
22 is only based on that chargeback.  
23 Q. Right. And -- and I understand that. And I  
24 don't -- I am not worried about the fraud anymore.  
25 You've already answered me that you are unaware of

23 (Pages 86 to 89)



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1 managers asking your employees or the dancers to bring  
 2 money back in envelopes in nonfraud cases.  
 3 A. To the best of my knowledge, to my  
 4 recollection, yes.  
 5 Q. Okay. If a manager did that, would that be  
 6 against your policies?  
 7 A. They -- they're not supposed to, yeah.  
 8 Q. Okay. And have you ever -- at any of the  
 9 clubs, have you ever gone out -- I mean, you -- you  
 10 saw -- in this lawsuit, we alleged that happened,  
 11 right?  
 12 A. Allege what happened?  
 13 Q. We alleged that -- that bartenders, and  
 14 waitresses, and some dancers, if there is an account  
 15 that you have to pay back, you know, it's \$500 and the  
 16 customer gets their money back, and you lose that  
 17 money, even though you've paid it out, you've now lost  
 18 it because you've paid it to other -- to the staff and  
 19 the dancers, you know that my clients allege that the  
 20 managers would say, "Okay. Bring in an envelope with  
 21 cash"?  
 22 A. Bring your envelope with the cash?  
 23 Q. Yes.  
 24 A. That's what he -- the manager said, "Just  
 25 bring envelope cash?"

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1 Q. Yes.  
 2 A. No number, nothing, no reason?  
 3 Q. No, no, no. They add it up. They say, "Here  
 4 was the charge. Here's what you were paid. You owe us  
 5 150" --  
 6 A. Did they ask --  
 7 Q. -- "bring it?"  
 8 A. I'm sorry. I'm asking question.  
 9 Q. Yes. Go ahead.  
 10 A. Did they ask them why I have to bring this  
 11 money?  
 12 Q. Oh, of course. And they said --  
 13 A. They said the customer disputed due to the  
 14 fraudulent last night?  
 15 Q. No, no, no, no. Not fraud, but you're saying  
 16 if it was, it would be fraud?  
 17 A. To the best of my knowledge, yes. That's the  
 18 way they're supposed to do it.  
 19 Q. Okay. Do you have any records, any documents,  
 20 that would show fraud where employees had to pay the  
 21 money back?  
 22 A. Basically, the managers called and the tab get  
 23 disputed, the customer show up next morning. He bring  
 24 his own receipt, and he show it. That was a zero that  
 25 was added on to, on the right side, not the left side.

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1 Q. Okay. And do you-all maintain those  
 2 documents?  
 3 A. When the customer compare it, the manager on  
 4 that particular club use his judgment and issue a  
 5 credit or void that charge at all.  
 6 Q. Okay. Does -- does that happen a lot, fraud  
 7 with the waitresses adding numbers?  
 8 A. From time to time, yes, you see it. We had  
 9 one person really did it, but after we caught her. She  
 10 did a lot of fraudulent. And we caught it, what she  
 11 was doing.  
 12 Q. Who was that?  
 13 A. I cannot mention the name, sir.  
 14 Q. Why is that?  
 15 A. For the privacy of the person. Unless I'm  
 16 under the order of the Court, I don't think -- I'm  
 17 sorry. You can read the procession [sic], but I don't  
 18 think I can.  
 19 Q. Okay.  
 20 A. I don't know if I'm allowed to do that at this  
 21 point. If Courts order me, I'll be glad to.  
 22 Q. Well, it's up to your lawyers if they let you  
 23 answer the question.  
 24 A. But, still, I don't think so.  
 25 MS. SERPER: No, he'd rather not identify

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1 anybody specifically.  
 2 Q. (BY MR. SHELLIST) Okay. Do you have the  
 3 records that would support that?  
 4 A. I would be able to have people to -- people  
 5 who report it to me to support my conversation.  
 6 Q. Okay. What I'm asking is, though --  
 7 MR. SHELLIST: Bless you.  
 8 Q. (BY MR. SHELLIST) If I want to look at any  
 9 records in a file folder, is there a file somewhere per  
 10 club or in D. Texas or anywhere that supports the  
 11 fraudulent paybacks that the staff have to give money  
 12 back to the club?  
 13 A. I need to check with the manager.  
 14 Q. Okay.  
 15 A. Like, to see what they can provide me.  
 16 Q. Okay. On your tax return if you have  
 17 chargebacks, if you have disputed charges, money that  
 18 comes off that you don't get, that let's say you've  
 19 already done the books for one month, get turned into  
 20 the accountant, but the next month the customer  
 21 contests it, do you write off those --  
 22 A. That's --  
 23 Q. -- losses?  
 24 A. That's something I need to check with my CPA  
 25 to see how he do it.

24 (Pages 90 to 93)



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<p>1 Q. Okay. Sitting here today, you're not sure?</p> <p>2 A. Right.</p> <p>3 Q. Okay. Now --</p> <p>4 MS. SERPER: Don't worry, George. We'll</p> <p>5 check.</p> <p>6 Q. (BY MR. SHELLIST) Now, on the employee's W-2</p> <p>7 that they get every year to reflect their income and</p> <p>8 earnings, does the W-2 reflect 100 percent of their</p> <p>9 tips from the charges, or does it only reflect the 95</p> <p>10 percent that they actually get?</p> <p>11 A. I believe it's what they get.</p> <p>12 Q. Okay. Again, I -- this is not a memory test</p> <p>13 or -- you know, I just need to verify what -- what</p> <p>14 you're telling me. Are you sure about that?</p> <p>15 A. To the best of my knowledge, I said they -- it</p> <p>16 shows what they get paid.</p> <p>17 Q. It does not show the 100 percent --</p> <p>18 A. It does --</p> <p>19 Q. -- it shows the 95?</p> <p>20 A. To best of my knowledge, it doesn't show the</p> <p>21 100 percent.</p> <p>22 Q. Who would know that exactly?</p> <p>23 A. Bookkeeping.</p> <p>24 Q. At each location, or would that be Glenda?</p> <p>25 A. At each location.</p>	<p>1 A. Okay.</p> <p>2 Q. Very easy. You type in Hassan Davari. Boom.</p> <p>3 A. Sure.</p> <p>4 Q. All the public information comes up.</p> <p>5 Now -- and if you want, I mean, I -- I</p> <p>6 don't --</p> <p>7 A. No, that's --</p> <p>8 Q. If you own other property, that's fine. I</p> <p>9 don't --</p> <p>10 A. No, that's good.</p> <p>11 Q. It doesn't matter.</p> <p>12 How does your business determine how much a</p> <p>13 dance costs?</p> <p>14 A. How my business...</p> <p>15 Q. Yeah, how do you determine how much a customer</p> <p>16 gets charged for a dance?</p> <p>17 A. It's always been one number everywhere. It's</p> <p>18 a customer standard.</p> <p>19 Q. And what is that?</p> <p>20 A. It's \$25.</p> <p>21 Q. Okay. So pretty much in your industry, that's</p> <p>22 a standard?</p> <p>23 A. Yes.</p> <p>24 Q. Okay. And it's been that way for a long time?</p> <p>25 A. In my business, I will say yes.</p>
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<p>1 Q. Because they are the ones who turn in the</p> <p>2 numbers for payroll to Glenda?</p> <p>3 A. Yeah. But I believe they get reported on what</p> <p>4 the -- they get paid.</p> <p>5 Q. The actual amount?</p> <p>6 A. Yeah, because the other 5 percent get picked</p> <p>7 up for the club income.</p> <p>8 Q. Right. We'll verify that either with --</p> <p>9 A. Sure.</p> <p>10 Q. The bookkeepers or the CPA will know for sure,</p> <p>11 right?</p> <p>12 A. Yes.</p> <p>13 Q. Is there -- there's an entity that I heard of</p> <p>14 called "D. 6218 Richmond." What is that?</p> <p>15 A. D. 6218 Richmond?</p> <p>16 Q. Yeah.</p> <p>17 A. That's a -- I believe that's property on</p> <p>18 Richmond that I own.</p> <p>19 Q. Okay. But it is not a -- an adult club?</p> <p>20 A. No, it is not.</p> <p>21 Q. Okay.</p> <p>22 A. Where did you hear that?</p> <p>23 Q. Hum?</p> <p>24 A. Where did you hear that?</p> <p>25 Q. Secretary of State.</p>	<p>1 Q. It's been that way for a long time?</p> <p>2 A. Yes.</p> <p>3 Q. Okay. In your clubs if a customer pays cash,</p> <p>4 they pay \$20 for a dance; is that right?</p> <p>5 A. Not supposed to be.</p> <p>6 Q. Well, I -- I'm just asking you what they do.</p> <p>7 A. No, because our instruction to all the</p> <p>8 salesperson who is sales commission people --</p> <p>9 Q. Yeah.</p> <p>10 A. -- is all the table dances, \$25.</p> <p>11 Q. Okay. So you instruct the dancers that cash</p> <p>12 or credit card, 25?</p> <p>13 A. Yes.</p> <p>14 Q. You tell them that?</p> <p>15 A. Right. And I believe we got it posted in all</p> <p>16 the places, in applications, everywhere.</p> <p>17 Q. Whether it is cash or credit card?</p> <p>18 A. \$25, yes.</p> <p>19 Q. Okay. So if I my clients say that if it's a</p> <p>20 credit card, it's \$25, and if it is cash, it is \$20,</p> <p>21 you would disagree with that?</p> <p>22 A. I disagree with that. That's -- that's not my</p> <p>23 policy.</p> <p>24 Q. I thought the independent contractors get to</p> <p>25 decide what they want to charge?</p>

25 (Pages 94 to 97)



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<p>1 A. That's what I'm trying to say. Because if</p> <p>2 they negotiate at a table when I'm not there, they</p> <p>3 could charge \$22 or \$18. I have no control over that.</p> <p>4 But my policy is all the cash -- all the table dances</p> <p>5 that we're aware of it in a club, \$25.</p> <p>6 Q. All of the dances that are processed through</p> <p>7 the club are \$25.</p> <p>8 A. All the dances that are going through -- at</p> <p>9 the club, our club, is \$25.</p> <p>10 Q. Right. Cash or credit card?</p> <p>11 A. Cash or credit card.</p> <p>12 Q. Right. Now, you're saying that's the way it's</p> <p>13 supposed to be?</p> <p>14 A. That's what the policy is.</p> <p>15 Q. Okay. In actuality, at Treasures, for</p> <p>16 example, dancers charge typically 20 for cash, 25 for</p> <p>17 credit?</p> <p>18 MS. SERPER: I am going to object.</p> <p>19 That's asked and answered. He's already answered the</p> <p>20 question three times.</p> <p>21 MR. SHELLIST: He's told me what the</p> <p>22 policy is. I'm asking what is done.</p> <p>23 MS. SERPER: He -- he told you.</p> <p>24 Q. (BY MR. SHELLIST) Well, go ahead and tell me</p> <p>25 one final time. What actually happens?</p>	<p>1 processed, it's mentioned that all of the table dances</p> <p>2 are \$25, cash or credit card.</p> <p>3 Q. You I think it says "cash or credit card" on</p> <p>4 your postings?</p> <p>5 A. I have to look.</p> <p>6 Q. Okay.</p> <p>7 A. But that's -- that's what I -- yes.</p> <p>8 Q. And -- and I appreciate it. I understand that</p> <p>9 you get the message out. My question is: Have you</p> <p>10 ever investigated by talking to managers whether, in</p> <p>11 fact, your policy is being followed?</p> <p>12 A. I never -- if the -- I myself emphasize that</p> <p>13 in my meeting with the manager. Just mention it.</p> <p>14 Q. Okay. And -- all right. So other than</p> <p>15 mentioning it, getting the word out, you don't have</p> <p>16 some investigation you did where you asked everybody at</p> <p>17 every club, all the managers, "Is the cash dance the</p> <p>18 same as credit card dance?"</p> <p>19 A. I enforce the policy. I post it. That's all</p> <p>20 I can do.</p> <p>21 Q. Okay. Have you ever disciplined a dancer for</p> <p>22 charging less than 25?</p> <p>23 A. It not brought to my attention. I enforce it.</p> <p>24 That's the policy. I post it. So obviously there's no</p> <p>25 violation on it to come to my attention.</p>
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<p>1 A. I disagree with that.</p> <p>2 Q. Okay.</p> <p>3 A. Because the price of a table dance throughout</p> <p>4 our club is \$25, our policy.</p> <p>5 Q. I thought you said some dancers could</p> <p>6 negotiate \$22?</p> <p>7 A. If I'm not aware of it, I don't know what they</p> <p>8 charge. You told me that they pay \$20. I said I'm not</p> <p>9 aware of it. I mean to -- what I'm saying is I have no</p> <p>10 control over what exchange from one hand to another</p> <p>11 one, as far as the cash for the table dances. But the</p> <p>12 instruction is when you dance, \$25 cash or credit card.</p> <p>13 Q. Have you seen instances in any of your clubs</p> <p>14 where people have paid less than 25 for cash dances?</p> <p>15 A. Not to my knowledge. I'm not aware. Because</p> <p>16 they're supposed to charge \$25.</p> <p>17 Q. Okay. All right. Now, have you ever -- in</p> <p>18 any way, shape, or form, Mr. Davari, have you ever</p> <p>19 looked into whether dancers are charging less for cash</p> <p>20 than credit card dance?</p> <p>21 A. Have you ever looked into it?</p> <p>22 Q. Have you ever investigated it?</p> <p>23 A. I don't -- I put the message out, and I post</p> <p>24 it on their application myself. And I announce it.</p> <p>25 And I believe on that -- some of the paperwork that's</p>	<p>1 Q. Okay. So you've never had --</p> <p>2 A. To the best of my knowledge.</p> <p>3 Q. You've never heard of that problem existing?</p> <p>4 A. My policy is not to do 25 table dance --less</p> <p>5 than \$25 table dance. Cash or credit card, it's \$25.</p> <p>6 Q. Right.</p> <p>7 A. I don't know how that I can -- how any other</p> <p>8 way I can answer it.</p> <p>9 Q. Well, I asked if you disciplined a dancer for</p> <p>10 charging less?</p> <p>11 A. I never disciplined, no.</p> <p>12 Q. Okay.</p> <p>13 A. I didn't have a situation I disciplined.</p> <p>14 Q. Okay. And when you said before you -- this</p> <p>15 \$22 that someone could negotiate, my question is --</p> <p>16 A. I'm not saying -- I said whatever is in</p> <p>17 conversation between dancers at a table --</p> <p>18 Q. Um-hmm.</p> <p>19 A. -- and the customers --</p> <p>20 Q. Yeah.</p> <p>21 A. -- I have no control over that, because I</p> <p>22 don't hear it. I don't see it.</p> <p>23 Q. Oh, okay.</p> <p>24 A. We're talking about cash.</p> <p>25 Q. Okay. All right. Now, on the credit card</p>



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<p>1 side, the ones that you process through your house, you 2 make 100 percent sure that that's \$25 per dance? 3 A. I make sure all the table dance is \$25. And 4 credit card proves it to me. Yes, they are \$25 by 5 looking at every one of them. 6 Q. That's right. Okay. 7 A. And that proves it to me that it is \$25. 8 Q. Okay. And there -- there is a sheet that each 9 waitress has where she fills out amount of drinks, 10 amount of dances, and then food, and totals? 11 A. Yes. 12 Q. Okay. So you know where it says "price per 13 dance" on there, they write 25; that's how you can make 14 sure your policy's being followed? 15 A. That's where I itemize that \$25, yes. 16 Q. Okay. And the -- the house -- the company 17 takes a piece of the dances, the credit card dances, 18 true? 19 A. Well, that's -- all the dancers are called 20 sale commission people, and that's a sale to the house, 21 and they keep 20; we keep 5. 22 Q. Right. So to be clear -- 23 A. Well, obviously, clear. Because you say, 24 yeah, \$20 go to them, \$5 go to... 25 Q. The house keeps a part of the dances for</p>	<p>1 the house how much it is, do they? 2 A. No, but they're supposed to report it and pay 3 their portion. 4 Q. But they don't do that? 5 A. I don't know if they do that or not. 6 Q. Okay. 7 A. They're supposed -- they're supposed to do 8 that. I'm hoping they're doing that. 9 Q. When was the last time you ever checked 10 whether or not they were doing that? 11 A. I haven't checked into it. 12 Q. Okay. Your business earns a fair amount of 13 money on this 20 percent cut, correct? 14 A. We earn 20 percent. I -- fair amount of 15 money, I -- I don't know if I'd put that next to it or 16 not. But, yes, to answer your question, we achieve 20 17 percent. 18 Q. Right. It's a lot of money. It's millions of 19 dollars a year; is that true? 20 A. Whatever it is on paper. You can get it from 21 CPA. I just can't -- 22 Q. Okay. 23 A. -- provide it to you. 24 Q. Okay. And when the dancers want to come and 25 work for you, do they have to meet with the manager to</p>
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<p>1 credit card dances? 2 A. The price of the house is like a sales 3 product. \$20 go to the dancer, \$5 -- this is the way I 4 can put it out. And I think that answers your 5 question. Because \$5 stay in the house, and \$20 with 6 the dancers. 7 Q. On credit-card-processed dances? 8 A. It's supposed on the cash, too, yes. 9 Q. Well, is there a written policy that says that 10 you get 20 percent of cash dances? 11 A. We hold 20 percent of the sale, which is cash. 12 It say 20 percent of the table dances. I don't know if 13 it's specified cash or not. 14 Q. Okay. And to your knowledge, I mean, have you 15 seen the -- strike that. 16 Who collects the money to distribute 17 80 percent to the dancer, and 20 percent to the house? 18 A. Again, the -- at the end of the night, we 19 talk. Each club, they got their own policy. 20 Q. Um-hmm. 21 A. The person in charge to pay, he calculate all 22 the dance tickets and pay the 80 percent of that to the 23 lady. 24 Q. Now, dancers, when they collect cash money 25 from the customer, they keep all of it; they never tell</p>	<p>1 decide that they're club material, I guess? 2 A. They go right through the application process, 3 yes. 4 Q. Okay. With some manager? 5 A. With a manager, yes. 6 Q. Okay. And if the manager says, "Yes, Cindy, 7 you can come and work here. You start tonight," the 8 dancer when they show up, they have to pay to get into 9 the club, correct? 10 A. Yes. 11 Q. And how much is that? 12 A. It varies. If -- I guess they get some 13 incentive if they come early. It could be anywhere 14 from 5 bucks to a little bit higher. 15 Q. Okay. So what is that range, then? 16 Let's say that they come in at 9:00 instead of 17 at midnight? 18 A. I think about around \$35 or \$40. 19 Q. Okay. And does each of your club have this 20 sliding scale based on the time the dancer arrives? 21 A. Each one of them decide how to handle that, 22 you know. 23 Q. Right. 24 A. I'm pretty sure they do. 25 Q. Right.</p>



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<p>1 A. That's something manager decide on.</p> <p>2 Q. And I understand that the exact dollar amount</p> <p>3 can be different, but to your knowledge, each club has</p> <p>4 this different amount based on the time?</p> <p>5 A. Right.</p> <p>6 Q. Okay. Now, why is there a -- why does a club</p> <p>7 want to give an incentive to a dancer to come earlier?</p> <p>8 A. Because some dancers come in. It's a slow</p> <p>9 time.</p> <p>10 Q. Okay.</p> <p>11 A. They should have some incentive for them.</p> <p>12 Q. Okay.</p> <p>13 A. It's just a sales commission.</p> <p>14 Q. And -- and why do you charge dancers money to</p> <p>15 come into your club?</p> <p>16 A. To use all the facility in the club. The --</p> <p>17 basically, they are independent, just like any other</p> <p>18 independent contractor.</p> <p>19 Q. Well, when a carpenter comes in to repair a</p> <p>20 bathroom stall, do you charge them money to come in?</p> <p>21 A. No, you're saying it backward.</p> <p>22 Q. Okay.</p> <p>23 A. The carpenter go to Home Depot to pick up a</p> <p>24 saw --</p> <p>25 Q. Yeah.</p>	<p>1 A. Yeah.</p> <p>2 Q. Now, when -- when a person goes to Home Depot</p> <p>3 to buy the table saw, they're a customer of Home Depot;</p> <p>4 they're not a contractor for Home Depot, right?</p> <p>5 A. What I'm saying, they're paying for that to</p> <p>6 use. They using for that -- they're paying for the saw</p> <p>7 to buy to go work with it.</p> <p>8 Q. Oh, okay.</p> <p>9 A. Yes. I'm not comparing to the -- as a</p> <p>10 customer.</p> <p>11 Q. Okay.</p> <p>12 A. What I'm saying is -- you understand that,</p> <p>13 sir?</p> <p>14 Q. Yeah, I think what you're saying is you have</p> <p>15 --</p> <p>16 A. I have all this facility available to these</p> <p>17 ladies, entertainer.</p> <p>18 Q. Okay.</p> <p>19 A. Got to be some fee to them.</p> <p>20 Q. That makes sense. Okay.</p> <p>21 And do you pay -- strike that.</p> <p>22 I mean, other than the DJ, the light,</p> <p>23 insurance, locker room, and furniture --</p> <p>24 A. And any other items that don't come to my mind</p> <p>25 right now.</p>
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<p>1 A. -- he use that so he has to rent it.</p> <p>2 When a carpenter want to go buy some</p> <p>3 material from Home Depot, he has to pay for it.</p> <p>4 Q. Okay.</p> <p>5 A. He's got to put gas in his car if he come</p> <p>6 here, so that's expenses. We have expenses like</p> <p>7 lighting, insurance --</p> <p>8 Q. Right.</p> <p>9 A. -- legal fees that are beneficial to this</p> <p>10 independent contractor at no additional cost, a</p> <p>11 slightly -- a small portion of the money. And they can</p> <p>12 take advantage of this and make all the money.</p> <p>13 Q. Well, what do they get for their door fee;</p> <p>14 what facilities do they get?</p> <p>15 A. What facility?</p> <p>16 Q. Yeah.</p> <p>17 A. They get the DJ I pay for to play the music,</p> <p>18 the light show, the insurance, the locker room, the</p> <p>19 furniture they use, many items. Anything available in</p> <p>20 the club --</p> <p>21 Q. Okay.</p> <p>22 A. -- is available to them for a small portion,</p> <p>23 again.</p> <p>24 Q. Oh, okay. No, I understand it's 5 to \$40,</p> <p>25 whatever, on average.</p>	<p>1 Q. Okay. But there are a lot of other things?</p> <p>2 A. A lot of -- yes.</p> <p>3 Q. Okay. Now, why is it, then, if they're paying</p> <p>4 this door fee, why do they have to give you a</p> <p>5 percentage of their sales, putting it in quotes?</p> <p>6 A. That's because they are sales commission</p> <p>7 people. Any business, the sales, part go to the sale</p> <p>8 person, part go to the house. It's like commission to</p> <p>9 them.</p> <p>10 Q. Okay. Sales people -- when somebody sells</p> <p>11 something for -- like, Home Depot has a salesperson,</p> <p>12 right, to talk about Home Depot. I mean, the dancers</p> <p>13 at this point have to pay the 20 percent, right, on</p> <p>14 \$25, so \$5 per dance?</p> <p>15 A. Right.</p> <p>16 Q. You view the -- the dancers as your</p> <p>17 salespeople?</p> <p>18 A. Yeah, the -- the sale commission people.</p> <p>19 Q. Okay. If someone is dancing for you for</p> <p>20 Treasures --</p> <p>21 A. Yes.</p> <p>22 Q. -- are they allowed to go work for your</p> <p>23 competitor, a -- a non-D. Texas company?</p> <p>24 A. Yeah, they're allowed.</p> <p>25 Q. Meaning, it's okay with you?</p>



<p style="text-align: right;">Page 110</p> <p>1 A. It's okay with me. I have no control on them, 2 yeah. 3 Q. Well, your control is to say, "You can go work 4 for whoever you want, but if you're working for 5 D. Texas, we don't want you to go work for ABC Club. 6 If you work for ABC Club, we don't want you to work 7 here as a contractor." I mean, is -- do you have a 8 policy about that or not? 9 A. They might be working for some other places we 10 don't know, or we don't have really policy -- strong 11 policy on that. 12 Q. All right. If you don't know, what is your 13 preference? 14 A. My preference? 15 Q. Yes. 16 A. It doesn't matter what my preference is. What 17 is the market. I have to stay within a market. My 18 preferences is not really important. 19 Q. Do you tell any of the dancers, "You are not 20 allowed to go and work for competitors while you work 21 for us"? 22 A. No, I never tell them. 23 Q. Okay. Let me show you -- this is marked as -- 24 as 1. I just have one copy of it. I didn't -- 25 A. Let me make a little correction on that before</p>	<p style="text-align: right;">Page 112</p> <p>1 it says "Totals, All Cards," that column; you see that? 2 A. Yes. 3 Q. And then it goes through '06, '07, '08, and 4 '09 on the left side; do you see that? 5 A. Yes. 6 Q. All right. At the bottom left, there is a 7 percentage that says "2.43 percent," which appears to 8 be an average percentage for the processing fee; do you 9 see that 2.43? 10 A. Yes. 11 Q. Do you have any reason to dispute that the 12 average from American Express, Discover, and MasterCard 13 is 2.43 for this time period? 14 A. That's what these papers say. I won't dispute 15 it, because that's what I see on it. But... 16 Q. Okay. 17 A. That's what I see on this paperwork. 18 Q. So for this time frame, if it's 2.43 percent, 19 then the amount -- if a 5 percent amount was charged, 20 that's double the amount, correct? 21 A. According to what you see, yes, sir. Correct. 22 Q. Okay. Now, this paper exists, the accountant 23 or whomever prepared it, do you know if there are any 24 backup documents which would reflect an analysis on 25 this risk that you take as a business owner, this</p>
<p style="text-align: right;">Page 111</p> <p>1 you -- 2 Q. Yeah, yeah. Go ahead. 3 A. On -- like, again, if the dancers go work on 4 another -- another club work -- 5 Q. Yeah. 6 A. -- I have no control on it. I guess I 7 mentioned that, right? 8 Q. Yeah, you -- 9 MS. SERPER: Why don't I make some copies 10 real quick. 11 MR. SHELLIST: That's fine. 12 MS. SERPER: Two seconds off the record, 13 and I'll be right back. 14 MR. SHELLIST: Sure. 15 (Break from 12:32 p.m. to 12:36 p.m.) 16 (Exhibit No. 1 was marked.) 17 Q. (BY MR. SHELLIST) Mr. Davari, I'm showing you 18 Exhibit 1, which was provided to me by your counsel in 19 some request for production responses, and it says 20 "Treasures Credit Card Processing Summary" at the top; 21 do you see that? 22 A. Yes. 23 Q. Do you know who prepared this? 24 A. They told me my CPA did. 25 Q. Okay. And if you look at the top left where</p>	<p style="text-align: right;">Page 113</p> <p>1 chargeback or disputed charge risk that -- that you add 2 to this? 3 A. You mean the other charges, support charges? 4 Q. Yeah. 5 A. I assume there is. 6 Q. Okay. And -- and there may be, but have you 7 seen it, if there is one? 8 A. I believe there is. 9 Q. You believe you have seen one? 10 A. Yes. A charge -- I've seen chargeback from 11 time to time. 12 Q. And who prepares those summaries? 13 A. What summaries? 14 Q. The chargeback summaries. 15 A. The chargeback they get from bank statement. 16 Q. Right. 17 A. They get picked up from banks. 18 Q. I guess my question is: Do you -- do you ever 19 ask any of your club employees to prepare summaries on 20 chargebacks so that you can continue to analyze it in a 21 broader scope so you don't need to look through every 22 piece of paper, you just look at a summary? 23 A. I see it on, I guess, bank statement. 24 Q. Okay. And you use Wells Fargo for banking? 25 A. For -- not for all the clubs. I use different</p>



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<p>1 banks.</p> <p>2 Q. Okay.</p> <p>3 A. For each club, use different bank.</p> <p>4 Q. What banks are used by each club?</p> <p>5 A. I believe Wells Fargo is one of them. Texas</p> <p>6 Community is another one.</p> <p>7 Q. And which clubs use each of those?</p> <p>8 A. I have to pro -- can I provide that later to</p> <p>9 you --</p> <p>10 Q. You can.</p> <p>11 A. -- to be precise?</p> <p>12 Q. Sure, you can.</p> <p>13 Can you tell us also why -- why would you</p> <p>14 use different banks for different clubs?</p> <p>15 A. I think that maybe, again, somebody in the</p> <p>16 bank talks -- recruited business through the</p> <p>17 managers --</p> <p>18 Q. Okay.</p> <p>19 A. -- cab man -- club managers.</p> <p>20 Q. Now, if a club has several managers, are they</p> <p>21 allowed -- is each manager allowed to make contracts</p> <p>22 for that club?</p> <p>23 A. For that club?</p> <p>24 Q. Yeah.</p> <p>25 A. They're authorized to run the club, yes.</p>	<p>1 different managers, I wouldn't be able to make a recall</p> <p>2 on it right now.</p> <p>3 Q. Okay.</p> <p>4 MR. SHELLIST: Let me see. This -- I</p> <p>5 only have one. I -- I don't need to look at it,</p> <p>6 Lauren. If you want to hold on -- hold on. You can</p> <p>7 look at it with him if you want to. I don't need a</p> <p>8 copy right now.</p> <p>9 MS. SERPER: Okay.</p> <p>10 MR. SHELLIST: If we need copies, we can</p> <p>11 get them at a break.</p> <p>12 MS. SERPER: Do you want to mark this as</p> <p>13 an exhibit?</p> <p>14 MR. SHELLIST: I'd be happy to, yeah.</p> <p>15 Here, let's put that -- let me see if -- I don't want</p> <p>16 to block any of the --</p> <p>17 (Exhibit No. 3 was marked.)</p> <p>18 MS. SERPER: Okay. So it says "No. 3."</p> <p>19 MR. SHELLIST: I have 2 in here --</p> <p>20 MS. SERPER: Oh, oh, okay.</p> <p>21 MR. SHELLIST: -- that I may use.</p> <p>22 MS. SERPER: Okay. Okay. That's fine.</p> <p>23 So we'll just call it No. 3.</p> <p>24 MR. SHELLIST: Yeah.</p> <p>25 Q. (BY MR. SHELLIST) Can you tell us what</p>
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<p>1 Q. Okay. Which would include the -- the wage</p> <p>2 policies, how the employees get paid and all of those</p> <p>3 things?</p> <p>4 A. It's pretty standard when they hire them, yes.</p> <p>5 They -- they -- they have the knowledge of hiring them</p> <p>6 and offering the money.</p> <p>7 Q. And the process, meaning the 5 percent or</p> <p>8 4 percent that gets charged, that's something that the</p> <p>9 managers oversee and participate in?</p> <p>10 A. They stay -- they're aware of that number,</p> <p>11 yes.</p> <p>12 Q. Well, they're not just aware of it; you said</p> <p>13 earlier that they may have been the ones who came up</p> <p>14 with it?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. Can you recall for Treasures and each</p> <p>17 of the other clubs that are defendants in this case,</p> <p>18 which managers decided whether it was 4 or 5 percent</p> <p>19 for the credit card process fee to the waitress and</p> <p>20 bartender?</p> <p>21 A. I can't make a recall on that, really.</p> <p>22 Q. So, for example, at Treasures, do you know</p> <p>23 whether it would have been your lead manager who would</p> <p>24 have made that decision?</p> <p>25 A. Since, you know, sometimes go through</p>	<p>1 Exhibit 3 is, Mr. Davari?</p> <p>2 A. This is a tab sheet.</p> <p>3 Q. And do all of the waitresses at Treasures use</p> <p>4 the tab sheet?</p> <p>5 A. Yes, sir.</p> <p>6 Q. Is there a tab sheet used at each of your</p> <p>7 clubs?</p> <p>8 A. Yes, sir.</p> <p>9 Q. Okay. Other than the name Treasures at the</p> <p>10 top or D. Houston, Inc., does the form look similar to</p> <p>11 this?</p> <p>12 A. Not quite.</p> <p>13 Q. Okay.</p> <p>14 A. As far as the format, instead of the -- I</p> <p>15 would say they're different.</p> <p>16 Q. Okay. But the content, the -- the information</p> <p>17 you're gathering is -- is the same?</p> <p>18 A. No, sir.</p> <p>19 Q. Why would you want each of your clubs to have</p> <p>20 a different way to gather different information from</p> <p>21 customers?</p> <p>22 A. Probably, that's something that manager</p> <p>23 decided is better for that club. That club manager</p> <p>24 decide for that club due to the location, whatever</p> <p>25 that -- manager decision to reduce prices -- different</p>

30 (Pages 114 to 117)